

January 30, 2003

Mr. William Sessions  
Associate Deputy Administrator  
Livestock and Seed Program  
Agricultural Marketing Service  
United States Department of Agriculture  
1400 Independence Avenue, SW STOP 0249  
Washington, DC, USA 20250-0249

Dear Mr. Sessions:

These comments are in regard to the Country of Origin Labeling (COL) provisions of the Farm Security and Rural Investment Act (FSRI) of 2002 and the voluntary guidelines published on October 8, 2002.

The Government of Alberta is fundamentally opposed to the mandatory COL provisions of the FSRI Act. No matter how carefully implemented, the COL provisions will unnecessarily disrupt trade between our two countries, strain Canada-US trade relations and appears to be inconsistent with US international trade obligations. It is ironic that given US leadership in various regional and multilateral trade negotiations to liberalize trade in agriculture, it would undertake measures that restrict trade.

Mandatory COL threatens to undermine the efforts of industry and governments on both sides of the border to promote bilateral trade and build an integrated North American market, in particular for live animals and meat products. One example of this integration is the Restricted Feeder Cattle Program. This program has helped expand exports of live cattle from several US states to Canada by as much as CDN \$200 million annually. The Alberta cattle industry and the Government of Alberta worked hard to establish this program and make it a success. Mandatory COL would undoubtedly decrease the demand in Canada for US feeder cattle and place the Restricted Feeder Cattle Program in jeopardy. This is but one example of the initiatives to enhance bilateral trade in agriculture and food products that may be negatively impacted by the mandatory provisions.

Mandatory COL does not address a food safety or consumer protection issue and appears to be inconsistent with the USs' obligations under the North American Free Trade Agreement and the World Trade Organization (WTO). The WTO Agreement on Technical Barriers to Trade, for example, establishes fundamental rules regarding the

development, adoption and application of voluntary standards and mandatory technical regulations, including marking and labeling rules. Both standards and technical regulations are subject to national treatment obligations. Neither standards nor regulations can be applied with a view to, or the effect of, creating unnecessary obstacles to international trade. Furthermore, technical regulations cannot be more restrictive than necessary to meet legitimate domestic objectives.

Auditable records documenting the origin of covered commodities are clearly necessary for maintaining the integrity of the program. However, the costs of complying with the provisions will be very high. Your agency estimated that the first year cost of establishing the record keeping system to verify US origin would be approximately US \$2 billion. Mandatory COL will also require segregation of animals and products at processing facilities as well as extensive enforcement, adding further costs. This will put the covered commodities at a competitive price disadvantage both domestically and internationally.

The Government of Alberta is also concerned that adoption of mandatory COL by the US will weaken the position of both our countries that food labeling regulations must be based on science. Specifically, mandatory COL will weaken arguments made by Canada, the US and other nations against mandatory labeling schemes, such as the European Union's labeling regulations for Genetically Modified Organisms.

Notwithstanding these concerns, the Government of Alberta wishes to offer comment on the interim guidelines for voluntary COL published on October 8, 2002, understanding that these guidelines will form the basis for mandatory COL. Two specific areas we wish to address are:

### **1. Definition of Origin Differs According to Point of Sale**

The FSRI Act states that voluntary and mandatory COL will apply to retailers and not to the food service sector. The interim guidelines define a "retailer" according to the Perishable Agricultural Commodities Act of 1930. It is the Government of Alberta's understanding that US Customs Service rules of origin will apply to establishments not covered by the COL provisions of the FSRI Act of 2002. This results in a situation where meat from the same animal may be labeled with two different origins depending on where the meat is sold. As an example consider steaks from a steer born and raised in Canada and slaughtered in the US. At a retail grocery store such steaks would be labeled as "Beef from Canadian cattle, processed in the US". A local restaurant could serve the same steaks and advertise them as "US Beef".

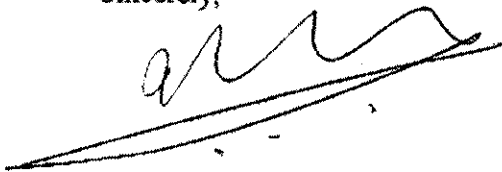
### **2. Records to establish US Origin**

The interim voluntary guidelines state: "Any person engaged in the business of supplying a covered commodity to a retailer must make available information to the retailer indicating the country of origin of the covered commodity". The FSRI Act and the interim voluntary guidelines both refer to the Domestic Origin Verification Program

operated by the Agricultural Marketing Service as an example of the measures needed to verify country of origin. The Government of Alberta notes that the Domestic Origin Verification Program defines domestic origin as raised and slaughtered in the US. This program does not appear to offer guidance on what type of records are required to meet the FSRI Act's "born, raised and slaughtered" definition of US origin. A survey of other certification programs administered by the Agricultural Marketing Service (e.g. Certified Angus Beef) shows that these programs are primarily concerned with carcass quality and do not require verification of US origin. The Government of Alberta contends that the voluntary COL guidelines should provide greater detail regarding the kind of records required to verify US origin. Without clear, verifiable records, detailing all stages of an animal's life, country of origin labeling will lack credibility.

Although we offer these comments on the utility of the interim voluntary COL guidelines, the Government of Alberta remains opposed to mandatory COL. We are convinced that mandatory COL will unnecessarily disrupt bilateral trade and is inconsistent with US international trade obligations. We are concerned that adoption of mandatory COL by the US would encourage other countries to adopt similar measures. We strongly urge Congressional representatives to reconsider the legislation with a view to repealing the COL provisions of the FSRI Act.

Sincerely,



Dr. Joe Rosario  
Executive Director, Policy Secretariat  
Alberta Agriculture, Food and Rural Development